

**DATE** May 7, 2012

**TO:** Thomas J. Bonfield, City Manager  
**THROUGH:** Keith Chadwell, Deputy City Manager  
**FROM:** Kevin Dick, Director, Office of Economic and Workforce Development  
Christopher Dickey, Senior Manager - Economic Development  
**SUBJECT:** Public Hearing and Recommended Agreement for Economic Development Incentive with UDI Community Development Corporation

### **Executive Summary**

This item describes the economic and community development project proposed by UDI Community Development Corporation (UDI-CDC) within the Community Development Area in the City of Durham (CDA) outside the downtown development tier. It also describes a proposed economic development incentive contract between UDI-CDC and the City of Durham.

### **Recommendation**

The Office of Economic and Workforce Development (OEWD) recommends that the City Council:

- 1) authorize a public hearing on the proposed economic development incentive agreement per G.S. 158-7.1, and;
- 2) authorize the City Manager to execute an economic development incentive agreement with UDI Community Development Corporation in an amount not to exceed \$100,000.00 for a building renovation project at 727 North Magnum Street, Durham NC.

### **Background**

The Office of Economic and Workforce Development issued a request for proposals in January 2011 seeking proposals from for-profit and not-for-profit private businesses; including developers wanting to partner with the City on projects that would serve as catalysts in spurring investment and reinvestment as well as the growth of sustainable jobs within the Targeted Community Development Area.

Each proposal was required to meet the following project objectives:

- stimulate economic revitalization by leveraging private investment
- create and retain permanent full-time livable wage jobs
- make permanent jobs accessible to low income neighborhood residents including persons who are unemployed
- engage community involvement and support
- strongly encourage local partnerships
- complement other neighborhood initiatives, projects and programs leverage other funding resources

In order to be eligible for an incentive payment under the “Neighborhood Revitalization Grant Incentive Program,” the capital investment must be made within the Community Development Area (CDA) outside the downtown development tier. The project should have a substantial impact on the physical economic vitality of the affected neighborhood which will strengthen the City of Durham tax base in that area. The maximum incentive award may be up to 50% of the total capital investment made for a total incentive payment but not exceed \$500,000.00. The implementation of this policy is intended to be “performance-based.” In this case, no incentives would be paid to the company until after the company has completed the improvements required by the economic incentive agreement.

UDI-CDC proposes to renovate a blighted building at 727 North Magnum Street, which is a gateway corridor heading into downtown Durham. The plan is to reconstruct a 1500 SF building into 4500 SF mixed use commercial/ residential three level building. The first and second level is slated for retail and office space and the third floor will be a condominium. The project when completed would stimulate new business development and home ownership opportunities for Durham residents in this Targeted Neighborhood Commercial Corridor (See attached UDI-CDC project summary).

#### UDI-CDC – Gateway Project Old Five Points

Total Cost: \$570,000.00

Public Cost: \$100,000.00

Review committee members that evaluated the UDI-CDC proposal included representatives from the following departments from the Department of Community Development; City Manager’s Office; Office of Equal Opportunity and Equity Assurance; Neighborhood Improvement Services and General Services Departments. A project proposal must meet a minimum average score of 80% to be considered for project funding. The committee aggregately scored the proposal as follows (each reviewer could score a proposal up to 100 points):

<b>Evaluator</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>Total</b>	<b>Average</b>
<b>UDI-CDC</b>	75.0	88.0	97.0	88.0	93.0	86.0	527	87.83%

The review committee members and OEWD staff are satisfied that there is a reasonable likelihood that the UDI-CDC project proposal could build upon the existing economic

development activity in the area, and would serve as a catalytic project for the NECD neighborhood.

### **Issues and Analysis**

A major priority of the City of Durham is increasing and strengthening the economic stability of the City. Staff endorses the recommendation of the committee which would serve to promote the continued revitalization and vitality of a neighborhood adjacent to downtown Durham. The proposed project would produce \$470,000.00 in non-City investment with \$100,000.00 in City investment, producing a 4.7:1 ratio of non-City to City funding. The anticipated sources of capital for the project are as follows:

<b>Source</b>	<b>Amount</b>
Source 1 HHS	\$270,000.00
Source 2 EDI	\$200,000.00
Source 3 City	\$100,000.00
<b>Total</b>	<b>\$570,000.00</b>

### **Other Deliverables**

The company must provide the City with evidence of capital investment expenditures for space to be occupied at relevant timeframes.

- Adherence to a Durham Workforce Plan will be a contract deliverable and Durham residents will have the opportunity to apply for positions through the Durham JobLink Career Center System;
- An incentive would help create opportunities for Durham-based businesses to bid on construction-related work associated with the project. Adherence to a Durham-based business plan for construction-related trades would be a contract deliverable; it should be noted that the contractor that is likely to be selected to undertake the project is a Durham-based firm that has a strong familiarity with other local Durham firms and the City's Equal Opportunity Equity Assurance (EOEA) program. Therefore, the likelihood of other Durham businesses participating in this project increases.

Increased capital expenditures by small businesses on items that are non-removable real property or personal property will add to tax values in the City. Also, visible improvements to this business property will act as a catalyst for additional investment, and added tax base,

by others. The Neighborhood Revitalization Incentive Grant was created to serve and encourage this type of private investment. The grant program is supported by the RKG Neighborhood Assessment Plan of March 2006, which supports this type of grant incentive program. The UDI-CDC proposal was recommended for funding based on its alignment with the RFP goals and objectives.

**Alternatives**

The City Council may reject the recommendation or may choose to fund the project at a lower amount. Not funding the project would be inconsistent with the Neighborhood Revitalization Grant program in the Community Development Area. The proposed project will have positive effects on the appearance and business climate of the affected locations.

**Financial Impact**

Funding for this project will come from the FY 2011 Neighborhood Revitalization Fund. This project was included as part of the approved carryover request.

**SDBE Summary**

An SDBE summary is inapplicable because no project-specific goals have been set and no SDBEs are involved in this item.

**Attachments**

- Economic Development Incentive Agreement for UDI-CDC
- UDI-CDC Project Summary